

~~SECRET~~

C E N T R A L I N T E L L I G E N C E A G E N C Y

20 April 1955

MEMORANDUM FOR: Mr. Allan Evans (OIR)
Colonel Paul S. Reinecke, USA (G-2)
Captain B. E. Wiggin, USN (ONI)
Colonel Willis B. Sawyer, USAF (AFOIN-2B2)
Colonel Floyd E. Dunn, USA (JIG)

SUBJECT : NIE 41-55: Probable Developments in Japan
Over the Next Decade

1. The attached terms of reference, indicating the allocations of production responsibility, were agreed on at the meeting of the IAC representatives on Friday, 15 April.

2. It is requested that contributions be received in this office by the close of business on Friday, 1 July.

STAT

PAUL A. BOREL
Deputy Assistant Director
National Estimates

Distribution "B"

~~SECRET~~

SECRET

C E N T R A L I N T E L L I G E N C E A G E N C Y

20 April 1955

SUBJECT: TERMS OF REFERENCE: NIE 41-55: PROBABLE DEVELOPMENTS IN
JAPAN OVER THE NEXT DECADE

THE PROBLEM

To analyze recent trends in Japan and to estimate probable developments in Japan over the next decade, with particular emphasis on its international position and orientation.

ASSUMPTION

No US-Chinese Communist hostilities.

NOTE

The purpose of this estimate is twofold: (a) to review NIE 41-54, "Probable Developments in Japan through 1957," 10 August 1954, in the light of subsequent developments; and (b) to attempt to assess probable long-term developments in Japan's stability, strength, and orientation.

SECRET

SECRET

QUESTIONS BEARING ON THE PROBLEM

I. THE PRESENT SITUATION IN JAPAN

This section should review the significant features of the present Japanese situation, indicate the nature of any change in the judgments of NIE 41-54, and analyze the principal factors which will determine the long-term outlook in Japan.

OIR A. What are Japan's short- and long-range national objectives?

OIR B. Political and Social Situation and Problems

1. Japanese Political Situation

- a. What has been the net effect of the national elections of 27 February 1955 upon political party alignments and relative strengths? Upon the parliamentary powers of the leftist parties, including that of blocking constitutional amendment?
- b. What is the present pattern of leadership within each of Japan's major parties? Who are the dominant

- 2 -

SECRET

SECRET

figures within these parties? What personal or policy differences exist within these parties? What are the chief problems and personalities involved in the question of political succession?

- c. What personal or policy differences exist among Japan's parties? What forces are presently working for or against party amalgamation, both among the conservatives and the leftists?
 - d. What changes have taken place in the principal sources of financial and electoral support of the various parties?
- 2. What changes have taken place in the basic social and ideological forces at work in Japanese society, e.g., democratic concepts, religion, trade unionism, nationalism, militarism, neutralism, racism, Marxism, attitudes toward the Emperor, etc?
 - 3. To what extent are traditional political and social concepts and practices replacing those forms imposed

- 3 -

SECRET

SECRET

and encouraged by the Occupation? What processes of adaptation of Occupation forms and practices are going on?

4. What changes have taken place in the domestic Communist situation? (Supplementing any treatment of the Japanese Communist Party (JCP) in above questions)

a. What changes have taken place in:

- (1) JCP objectives, tactics, and targets?
- (2) JCP leadership and unity?
- (3) Relations with the CPSU and the CCP?
- (4) JCP influence in Japanese society at large?
- (5) JCP capabilities to overthrow, subvert, or harass the government? To carry on sabotage and espionage against Japanese and US armed forces?

b. What is the present situation with respect to the appeal and influence of Marxism, Soviet Communism,

- 4 -

SECRET

SECRET

and Chinese Communism among Japan's intelligentsia and youth? To what extent is this appeal and influence a threat to Japanese political stability and security, and to what extent merely a form of Marxist (sophomoric) intellectualism? To what extent are leftist youths shedding these views after they enter business, government, or professional life?

5. What changes have taken place in the status and appeal of the ultranationalist movement?

DEFENSE C. Security Situation

1. Internal Security

- a. What is the present strength, organization, and effectiveness of Japan's police forces?
- b. What is the general nature of Japan's security and espionage laws? How effectively are these laws carried out? How good is Japanese surveillance and curbing of JCP subversion? Of Soviet, Chinese Communist, and Korean Communist subversion and espionage?

- 5 -

SECRET

SECRET

2. Defense

- a. What are the present strength, dispositions, morale, combat effectiveness, and capabilities of Japan's military forces?
- b. What is the extent of US military assistance to Japan? What are the principal US-Japanese military and defense arrangements?
- c. To what extent does Japan now produce military supplies for its own use? For export? What allocations for military production have been made? What is Japan's present capacity for military research and development, and military production?
- d. What are the government's present defense plans and policies? To what extent do these reflect: political considerations? economic considerations? strategic considerations?
- e. What effect have the development of modern weapons had on Japanese military planning in terms of: (a) size and

OSI

SECRET

composition of forces; (b) strategy for the defense of Japan; and (c) planning for deployment of forces outside Japan?

- f. What are the nature and significance of differences between the Japanese and US governments concerning Japanese force levels? Balance of forces? Joint Japanese-US strategy and defense doctrine?
- g. What level of support could Japan now provide to its military establishment without serious adverse economic or political effects?

OIR D. Economic Situation

- 1. What are present population trends in Japan? What are their implications? What are current trends in Japanese standards of living?

- OSI
- 2. What are the chief problems involved in Japanese industrial and agricultural productivity, with particular respect to Japan's industrial plant, technology, and science?

SECRET

3. What are the salient deficiencies in Japan's natural resources? To what extent, and in what sectors of the economy, must Japan rely on imports of raw materials and foodstuffs?
4. What are the present patterns and problems of Japanese foreign trade and balance of payments? At what cost to the economy are recent improvements in balance of payments being bought? How effectively is Japan competing in world markets? What success is Japan having in attempting to develop new markets? In attempting to ease trade restrictions? In reaching acceptable reparations agreements? In being accepted as a full participant in GATT and other international economic bodies?
5. To what extent is Japan susceptible to Bloc economic pressures and inducements? What has been Japanese experience over the past year in trade negotiations with the Sino-Soviet Bloc?

SECRET

6. What is the estimated GNP of Japan? What are present levels of production, and rate of production increase, in major industries? What are the aggregate aspects of the economy? Do the GNP size, distribution, investment sector, etc., reflect significant trends?
7. What are the chief characteristics of Japanese government economic and fiscal policies:
 - a. Trends in the size and composition of budgets?
 - b. Nature of tax system?
 - c. Banking, finance, and credit policies? Policies with respect to government funds for private industry, commerce, and agriculture?
 - d. Nature and effectiveness of anti-inflationary policies and controls?
 - e. Plans and policies with respect to modernization of Japan's industrial plant and rationalization of Japan's industry?

- 9 -

SECRET

SECRET

- f. Trade policies?
- g. Necessity of and attitude toward foreign investment?
- 8. What are trends in employment and wages?
- 9. To what extent are traditional economic practices and concepts replacing those imposed and encouraged by the Occupation, with particular reference to the Zaibatsu?
- 10. What is the extent of US economic assistance to Japan, and to what extent is the Japanese economy dependent on such support?

OIR E. Foreign Relations

- 1. As a result of the fall of Yoshida, the new elections, conservative party reordering, and the establishment of the Hatoyama government, what changes have taken place in:
 - a. The basic orientation of the government?
 - b. The degree of independence shown by the Japanese government in the conduct of foreign affairs?

- 10 -

SECRET

SECRET

c. Japan's economic and diplomatic relations with the USSR and Communist China?

(1) What is the present status of negotiations and bargaining positions, if any, concerning economic and diplomatic relations between Japan and the USSR? Communist China? Other Communist governments?

(2) What differences exist within the government and within Japanese conservative circles concerning relations with Communist governments?

OIR
DEFENSE

2. What are the prevailing views -- government, party, social group, and public -- on the following issues:

a. The Communist-Free World conflict in general, and the orientation and role which Japan should adopt with respect to it? What is the Japanese estimate of the likelihood of war, and how does this estimate affect Japan's basic approach to its relations with the US and with the Sino-Soviet Bloc?

- 11 -

SECRET

SECRET

- b. The question of Japan's regaining world power status and a position of leadership in Asia?
 - c. Economic and political relations with the US?
 - d. Economic and political relations with the USSR and Communist China? To what extent is Communist China held in fear? Is there any concept of "competition" with Communist China for Asian leadership?
 - e. Economic and political relations with the ROK? Nationalist China? The states of Southeast Asia? The UK and British Commonwealth states?
 - f. Regional defense and regional economic arrangements?
 - g. What is the extent and form of Pan-Asianism in Japan?
3. What effect, if any, have developments since September 1954 concerning Taiwan and the offshore islands had upon US-Japanese relations?

OIR
DEFENSE

- 12 -

SECRET

SECRET

- c. What is the long-range outlook for public respect for and influence upon government? For the acceptance of new or prewar political and social forms and practices?

OIR

2. Economic strength? To what extent are the Japanese likely to be able to solve their present and longer term economic problems and to achieve a stable and viable economy?

OSI

- a. What is the outlook over the next decade with respect to: Population pressure? Inflationary tendencies? Production and productivity? Technological and scientific potential, including nuclear development? Character of Japan's economy (e.g., nationalist-socialist, laissezfaire, etc.)? Impact of foreseeable rearmament on the economy? Degree of continued economic dependence on US? Balance of payments? Effective competition in world market? Development and location of additional resources, foreign and domestic? Foreign markets?

- 14 -

SECRET

SECRET

DEFENSE
OIR

3. Security Policies

a. Internal Security

- (1) What are likely future government policies with respect to national police forces and practices Security and espionage legislation, and enforcement thereof?

b. Defense

- (1) What are likely future government policies with respect to rearmament? military establishment? Strategy and defense doctrine, including weapons and weapon use?
- (2) What level of support is Japan likely to provide for its military forces over the next few years, assuming the US indicates an intention to withdraw its ground forces by the end of 1957 while continuing to provide approximately the present level of financial and end-item assistance?

- 15 -

SECRET

SECRET

OIR
DEFENSE

4. What is the probable future influence in Japanese society of:
 - a. The Emperor institution, and other traditional social, religious, and ideological values?
 - b. The military?
 - c. The bureaucracy?
 - d. Business and industry?
 - e. Labor?
 - f. Women?
 - g. Nationalism? Antiforeign sentiments? Neutralism?
 - h. Democratic concepts?
 - i. Communism?

- 17 -

SECRET

SECRET

OIR
DefenseB. Foreign Affairs

What is the outlook for Japan's regaining a position of leadership in Asia? World power status? What will be the likely character of Japanese objectives and policies? What major cultural, economic, strategic, and psychological considerations will affect the determination of Japan's objectives and policies? In particular, what is the outlook over the next decade with respect to:

1. Japan's basic orientation?
2. The degree of independent action Japan will attempt to undertake within its basic orientation?
3. Japan's political, economic, and military policies with respect to the US?
4. Japan's political, economic, and military policies with respect to Communist China and the USSR? The effects of these policies upon Japan's political life, economic life, and orientation?

- 18 -

SECRET

SECRET

5. Japan's political, economic (including reparations), and military policies with respect to non-Communist Asia? To UK and British Commonwealth?
6. Japan's policies with respect to regional defense arrangements?
7. Japan's policies with respect to regional economic arrangements?
8. The re-emergence of Japanese expansionist aspirations and practices?

DIR
Defense

C. Conditioning Factors

1. Identify and explain the likely effects of the major external factors most likely to influence Japan's domestic trends and world position, e.g., nuclear developments, economic depression, major changes in Communist bloc policies in Asia, major changes in the situation in Asia, etc.?

- 19 -

SECRET